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STATEMENT OF

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BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

ON

“FINANCIAL FRIENDLY FIRE: A REVIEW OF PERSISTENT MILITARY PAY
PROBLEMS”

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Chairman Davis, distinguished members of the Committee, my name is Nelson Ford, and I am the Principal Deputy Assistant Secretary of the Army for Financial Management and Comptroller. Thank you for this opportunity to address debt-related problems for some of our injured Soldiers who have separated from the Army.

I want to stress that every Soldier deserves to be paid accurately and on-time. This is even more important for deployed Soldiers and those wounded while selflessly serving their country. During a period of tremendous upheaval in their lives, these Soldiers should not have to worry about being paid correctly. While we in the Army, along with the Defense Finance and Accounting Service (DFAS), are committed to providing Soldiers the best pay support possible, our systems are not perfect and errors do occur. When problems do occur, we strive to identify them quickly and resolve them promptly and fairly.

Of the 516,508 Soldiers deployed in support of the global war on terrorism, approximately 12,000 have been either wounded or killed in action and of those, about 10% were identified as having a service-related debt recorded on the pay system at the time of separation from the Army. Many of these debts occurred because change-of-pay status adjustments were not made in a timely fashion after

Soldiers were evacuated from the theater. To date, we have identified a total of 364 separated, wounded Soldiers who experienced some type of active debt collection action, including 74 Soldiers whose debts were referred to an outside collection agency.

In most cases, the debts occurred through no fault of the Soldier. However, the Army is required by law (Debt Collection Act of 1982 (PL 97-365) and Debt Collection Improvement Act of 1996 (PL 104-134)) to pursue collection. Because the Army finance personnel responsible for debt collections had no way of knowing about the Soldiers' medical situation, our debt collection policies resulted in many unfortunate experiences for wounded soldiers and their families.

To address these issues, the Army and Defense Finance and Accounting Service (DFAS) linked pay account data with medical data and established a program called the "Wounded in Action Pay Management Program." The program identifies all soldiers receiving medical treatment in theater at the battalion aid station level and higher since October 2001 and allows finance and other administrative personnel to manually correct wrong pay and entitlement information. Further, beginning May 2005, the Army and DFAS implemented the following actions for Soldiers who received medical treatment while deployed:

- 1. Debts of identified Soldiers are not referred to collection agencies,**
- 2. Collection of identified Soldier debt is suspended until a thorough review of the Soldier's pay account is completed, and**
- 3. Debt relief is initiated on the Soldiers' behalf through the waiver and remission processes, when appropriate.**

The Wounded in Action Pay Management Program has improved the Army's management of Soldiers debt. The program has identified over 60,000 Soldiers receiving medical treatment (cumulative from October 2001 through April 14, 2006). We have completed the review of over 35,000 of these accounts and are on track to complete the remaining reviews by September 2006. More importantly, this program enabled us to successfully correct pay entitlements for all 2,622 Soldiers medically evacuated from the theater through Landstuhl since its initiation, suspend debt collections of 5,807 accounts, and forgive the debt of 1,573 wounded Soldiers.

The Wounded in Action Pay Management Program also has impressed upon us the importance of making timely changes to Soldier duty status in the payroll system. While prompt notification of changes to theater-based entitlements upon medical evacuation is important, often we are unable to process separation transactions in time to adjust Soldiers pay before payday. The lack of timely duty status information available to finance personnel is a manifestation of the

Department's challenges in developing and deploying an integrated personnel and pay system.

The Department is continuing to develop the Defense Integrated Military Human Resource System (DIMHRS) to solve the personnel and pay integration problem. Until DIMHRS is ready for fielding, we will continue to use the Wounded in Action Pay Management Program to track medical conditions, review pay accounts for accuracy, and to process debt remissions and waivers on behalf of wounded Soldiers. However, this is not a perfect solution, and errors may still occur because the program does not offer the level of integrated information envisioned by DIMHRS.

Prompt processing of debt remissions and waivers is crucial and our performance is significantly better thanks to congressional actions in the Fiscal Year 2006 National Defense Authorization Act. As you know, this Act provided Service Secretaries broader debt relief authority that takes care of both enlisted Soldiers and officers for up to a year after leaving active duty. We now have the authority for more equitable treatment to our reserve component Soldiers and the ability to relieve debts not created by an erroneous overpayment.

The Committee has asked the Government Accountability Office (GAO) to recommend ways that Congress could enhance the fairness of the debt collection process for our wounded Soldiers and they have made some recommendations in their recent report. We concur with their recommendation to make the debt remission law permanent and to incorporate a one-time provision for debts of Soldiers wounded in action in the global war on terrorism who were separated more than one year prior to implementation of the act. We would also like for Congress to clarify that it is permissible to repay previously collected debts under the remission process in a manner consistent with the existing waiver process. These changes will enhance the fair and equitable treatment for all wounded Soldiers regardless of debt status at the time of separation.

In addition to the support for our wounded Soldiers no longer in the Army, I know this Committee is also concerned with pay and indebtedness issues for reserve Soldiers retained on active duty for medical reasons and assigned to an Army Medical Retention Processing Unit (MRPU). At the Committee's request, the GAO conducted an investigation into allegations of overpayments of theater entitlements to Soldiers assigned to the MRPU at Fort Bragg and confirmed that 232 Soldiers were overpaid an average of approximately three months of theater specific

entitlements. These conditions were primarily caused by local issues associated with the high operational tempo of the XVIIIth Airborne Corps.

Based on the results of the GAO investigation at Fort Bragg, the Army and DFAS recently reviewed the accounts of all Soldiers currently assigned to the Army's remaining 23 MRPU's. We did not find similar results at the remaining 23 MRPU's, and have concluded the problems GAO identified at Fort Bragg were isolated to that location. We reviewed the pay accounts of all 2,347 Soldiers assigned to the 23 MRPU's and found only 83 of the accounts had a pay problem caused by an overpayment. We will manage MRPU pay issues through the combination of regular compliance inspections and the audit of all pay accounts identified in the Wounded in Action Pay Management Program.

In summary, I want to reiterate that every Soldier deserves to be paid accurately and on-time. Although we have made significant improvements in Soldier pay, the process remains imperfect. The Wounded in Action Pay Management Program provides visibility of wounded Soldiers to finance personnel; but it is not a perfect solution. We need the integrated personnel and pay processes DIMHRS envisions in order to gain further improvements.

While the end objective of an integrated human resources system is not yet in place, we will continue to improve our current pay support for all Soldiers. To ensure continuous improvements, we will work with the Committee, Defense Finance and Accounting Service, and the Government Accountability Office in preventing and resolving the occurrence of debts and other pay related problems for our wounded Soldiers.

Thank you.